

Prepared, Not Delivered

Opening Statement

Chairman Michael G. Oxley

Committee on Financial Services

Subcommittee on Oversight and Investigations

**“How Much are Americans at Risk Until
Congress Passes Terrorism Insurance Protection”**

February 27, 2002

We are here today to revisit an issue that we spent considerable time and effort on last session: the need for terrorism insurance protection for American consumers and businesses. After the Senate failed to act on our bill last year, we started working with the Administration and the GAO to assess the ongoing need for Federal legislation. We have concluded that the legislative imperative is still very real and continues to grow day by day. While the sky is not falling, it is certainly cracking around the edges.

American businesses, lenders, builders, workers, and investors all rely on the risk-spreading protection of a properly working insurance market. At least in the short term, this market has not and can not protect our markets without a Federal backstop.

We are now facing a steady risk transfer from reinsurers to primary insurers to consumers. Americans are becoming increasingly vulnerable. Many businesses are unable to get meaningful terrorism coverage, putting their operations at risk. Banks have made loans on collateral with inadequate coverage. And American investors have their savings tied up in projects and companies that are no longer fully insured.

In addition to this risk transfer, the economy is suffering from the lack of available terrorism coverage. Our witnesses today will testify that banks are not lending, real estate projects are not occurring, and expansion plans are being dropped. This means fewer jobs for Americans as we attempt to climb our way out of a recession. As the AFL-CIO and the Financial Services Roundtable recently wrote in a joint letter: “Today, the ensuing dislocation is affecting financial services firms, which finance projects. Tomorrow, it will be union workers, the builders of commercial projects, whose jobs are at risk.”

The need for Congressional action has rarely been clearer. While insurers may be able to diversify over time to address most market needs, Americans cannot afford to be left vulnerable during this transition. There are almost no costs for Congress to act now. But the costs of not acting could be enormous.

The passage of terrorism risk insurance legislation now is an insurance policy for the U.S. economy. It is protection against the likelihood of terrorist attacks in the future – a threat that we all know is far too real. But like any other insurance policy, you must purchase your coverage BEFORE a tragic event occurs to protect

yourself and your family. We will hear from various members of this country's "family" today, and they have a common refrain: that we in Congress must pass terrorism insurance legislation now to give them the protection they need. The House has heard their plea. I hope the Senate Leadership is listening.

###